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December 15, 2008

Mr. Jay Hudson, P.E.  
Manager  
Environmental Management  
Santee Cooper  
P.O. Box 2946101  
Moncks Corner, SC 29461

RE: Permit No.: SAC 2006-3574-SIB; South Carolina Public Service Authority (Santee Cooper), Pee Dee Station; 401 Water Quality Certification

Dear Mr. Hudson:

The South Carolina Department of Health and Environmental Control published a public notice for the referenced permit on October 17, 2008, to begin the 401 Certification process. After reviewing the permit application and comments submitted in response to the public notice, the Department has determined that additional information is needed to complete the 401 Water Quality Certification process. Listed below is the information that will be required before we can complete the evaluation of this project. Additional information may be requested in the future.

**Alternatives Analysis:** The applicant must submit more detailed information to demonstrate that all feasible alternatives to the project have been exhausted. The currently proposed site contains a significant portion of wetlands and is adjacent to a waterbody that is impaired due to mercury contamination. The proposed activity impacts a significant area of wetlands and has a high potential to impact mercury within the impaired waterbody. Consideration of alternate sites with respect to water resources must be included in the alternatives analysis. The Environmental Assessment (EA) submitted with the 2006 permit application identified several sites as possible locations of the Pee Dee Generating Station. Conclusions in the EA regarding site selection were based on a study that was performed in 1980. In the 28 years since the study was conducted, many economic and environmental conditions have changed. To demonstrate that no feasible alternatives exist to the proposed project, the applicant must submit a report that contains an updated list of the site selection criteria. The site selection criteria should be used when comparing the other proposed site locations with the chosen site. In addition to consideration of alternative sites, the report on feasible alternatives should also consider alternative technologies that can reduce potential adverse water quality impacts while achieving the project purpose to provide the current and projected electric power demands to Santee Cooper customers.

**Avoidance/Minimization:** The Department recognizes the effort on behalf of Santee Cooper to minimize and avoid on-site wetland impacts by modifying the site layout. Construction of the Unit 2 cooling tower is proposed to impact 4.14 acres of jurisdictional wetlands. The application materials submitted to the Department on September 22, 2008, stated that these impacts were unavoidable. A recent article in the

Florence Morning News (published December 10, 2008) quoted a spokeswoman from Santee Cooper as stating that the applicant plans to build only one unit as part of the Pee Dee Energy Campus. This statement appears to be contradictory to the previously submitted materials. If Santee Cooper is not planning to build Unit 2, then the opportunity exists to further reduce wetland impacts. Please submit a report demonstrating the need for boiler Unit 2, or consider removing Unit 2 from the project plans in order to further avoid wetland impacts. A copy of the Florence Morning News article is enclosed for reference.

**Compensatory Mitigation:** The project site contains a significant portion of diverse, fully functioning wetlands that provide many ecological benefits and aid in protection of water quality. In order for the Department to have reasonable assurance that impacts to these wetlands will not have an adverse impact on water quality, a compensatory mitigation plan will be required for any unavoidable wetland impacts. Mitigation for impacts to various wetlands associated with construction of the plant as well as any wetland impacts associated with the transmission line and rail corridors should be included in the plan. The plan should be submitted to the resource agencies for review. In a comment letter dated December 3, 2008, the South Carolina Department of Natural Resources (DNR) requested assurances of coordinated mitigation planning to address the impacts to fish and wildlife resources. To facilitate the certification process, the Department strongly recommends coordination with regulatory and resource agencies in developing a comprehensive mitigation plan.

**Section 303(d) Listed Waterbody:** The Great Pee Dee River is on South Carolina's 2008 303(d) list for impairment to the use of fish consumption due to elevated mercury levels. Regulation 61-101, Water Quality Certification, (Section F.3) requires the Department to consider all potential water quality impacts of the project, both direct and indirect, over the life of the project. The regulation also requires the Department to consider a project's impact on existing and classified uses of a waterbody. During operation, the project has the potential to emit 92.6 lbs of mercury per year according to the draft permit from the Department's Bureau of Air Quality. Increased mercury emissions could potentially cause an increase in mercury deposition within the watershed, contribute to methylmercury concentrations in wetlands, and possibly increase bioaccumulation of mercury in fish tissue. An increase in mercury levels within the watershed may cause further impairment to an existing use and would not be consistent with provisions set forth in Regulation 61-101, Regulation 61-68, Water Classifications & Standards, or the Federal Clean Water Act. For the project to be found consistent with these regulations, Santee Cooper must demonstrate that the project will not cause or contribute to mercury impairment over the life of the project. Please submit a report that evaluates the potential impacts of increased mercury emissions on water quality and existing uses within the Pee Dee watershed. This report may include water quality data, modeling results, or other environmental assessments that may aid in determining the potential impacts of the project.

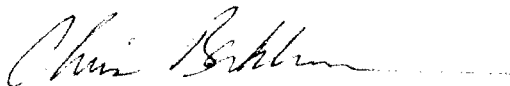
**Endangered Species:** Regulation 61-101 (Section F.5) prohibits the Department from issuing a certification for an activity that adversely impacts waters containing State or Federally recognized rare, threatened, or endangered species. In a comment letter dated November 25, 2008, the United States Fish and Wildlife Service (USFWS) requested more information on potential impacts to endangered species. According to the Nov. 25<sup>th</sup> letter, the USFWS has not received the requested information. The Department must have concurrence from the USFWS to give assurance that the project will not adversely impact waters containing endangered species. Please review the enclosed copy of the Nov. 25<sup>th</sup> letter and provide the studies requested by the USFWS so that the agency can properly evaluate the project's potential impacts on endangered species.

**Response to Comment Letters:** The Department received hundreds of comment letters in response to the October 17<sup>th</sup> public notice, including letters from the resource agencies USFWS and DNR. The

Southern Environmental Law Center (SELC) also submitted comments raising several concerns about the project. Approximately 350 letters from concerned individuals were also received through electronic mail. Several of the individual comment letters were in support for the project; however, the overwhelming majority of the comments objected to the project because of various concerns. The concerns outlined in the emails included issues such as mercury contamination in fish, water withdrawal from the Great Pee Dee River, potential groundwater contamination from the ash ponds and landfills, and many of the letters asked for consideration of less damaging alternatives to minimize environmental impacts. The Department is requesting a response to the concerns outlined in the comment letters. A copy of the letters from USFWS, DNR, and SELC will be enclosed. Also, a representative sample of the letters received from individuals via electronic mail will also be enclosed.

Please submit the requested information by March 16, 2009. Pursuant to Regulation 61-30, the Department has 180 days to complete action on an application for 401 Water Quality Certification or the assessed fee must be returned. These 180 days include only those days in which the Department is actively reviewing the application; the clock stops when information is requested and the Department is waiting on a response. Should you have questions, you may call me at (803) 898-4261 or you may e-mail me at [beckhajc@dhec.sc.gov](mailto:beckhajc@dhec.sc.gov).

Sincerely,



Chris Beckham, Project Manager  
Water Quality Certification and  
Wetlands Section

Cc: Richard Darden, USACE

Bob Perry, SCDNR

Tim Hall, USFWS

Enclosures